GOVERNMENT OF INDIA
SMALL SCALE INDUSTRIES
LOK SABHA

STARRED QUESTION NO:374
ANSWERED ON:22.08.2006
FDI IN SMALL SCALE SECTOR
Sippiparai Shri A. Ravichandran

Will the Minister of SMALL SCALE INDUSTRIES be pleased to state:

(a): whether suggestions have been received to raise the Foreign Direct Investment (FDI) ceiling for the small scale sector from 24% to 49%;

(b): if so, the details thereof; and

(c): the action taken by the Government in this regard?

Answer

MINISTER OF SMALL SCALE INDUSTRIES & AGRO AND RURAL INDUSTRIES (SHRI MAHABIR PRASAD)

(a)to(c): A statement is placed on the Table of the House.

STATEMENT REFERED TO IN PRELY TO PARTS (a) TO (c) OF LOK SABHA

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(a)&(b): According to the existing policy, an entity, whether domestic or foreign, without any subsisting industrial interest can invest upto 100% in the equity of a small scale industry

(SSI). However, to prevent mushrooming of small scale industries owned or controlled by larger entities, the policy also prescribes a ceiling of 24% in equity participation by an entity, whether domestic or foreign, in case it already has an industrial interest. If the equity investment by such an entity exceeds 24% of that of a second SSI unit, the resultant entity ceases to be an SSI unit.

(c): Government has not taken a decision on the issue of permitting investment (whether foreign or domestic) in equity beyond 24% in micro and small enterprises by entities having an interest in other enterprises.